

Dependent Day Care Flexible Spending Account

How a Dependent Day Care FSA Works

A Dependent Day Care FSA may be used to reimburse a participant for eligible dependent care expenses incurred while you, and your spouse if you are married, work or look for work, or maintain a full-time student status. If one parent is not working or looking for work, a Dependent Day Care FSA is not available. You may allocate up to \$5,000 per tax year for reimbursement of dependent day care services (\$2,500 if you are married and file a separate tax return).

Who Can Participate

All eligible employees can participate in a Dependent Day Care FSA. If you are considering participating in a Dependent Day Care FSA, please review the information regarding the tax credit alternative located in the FSA guidelines.

Qualifying Dependent

A Qualifying Individual as defined by the Internal Revenue Code:

- A dependent of the taxpayer as defined in Section 152(a)(1) (i.e. a qualifying child) who has not reached the age of 13 and has the same principle place of abode for more than one-half of the year.
- A dependent of the taxpayer (i.e. a qualifying child or qualifying relative) who is physically or mentally incapable of self-care and who has the same principle place of abode as the taxpayer for more than half of the year. The individual must spend at least eight hours per day in the employee's household.
- A spouse who is physically or mentally incapable self-care and who has the same principle place of abode as the taxpayer for more than one-half of the year. The individual must regularly spend at least eight hours per day in the employee's household. When determining whether a person who is incapable of self-care is a qualifying individual, status as a dependent is determined without regard to the income test for being a qualifying relative.

What Expenses are Eligible and Ineligible for Dependent Day Care FSA Reimbursements

The following are examples of some of the most common types of expenses that may or may not be reimbursed. These lists are not intended to be complete. For a complete list of eligible expenses please visit www.afadvantage.com.

Examples of Eligible Expenses:

- After-school care or extended day programs
- Au pair expenses
- Baby-sitter inside or outside participant's household
- Custodial or elder care expenses if the qualifying individual still spends at least 8 hours each day in the employee's household
- Dependent care center expenses/pre-kindergarten/nursery school expense if primary purpose is to care for the child so the parent can work
- Expenses paid to a non-dependent relative of participant
- Nanny expenses
- Summer day camp if the primary purpose of the expense is custodial in nature and not educational

Examples of Ineligible Expenses:

- Chauffeur and transportation expenses
- Expense for disabled spouse or tax dependent living outside household
- Educational expense-kindergarten and above
- Food expenses
- Household services
- Incidental special activities expenses
- Overnight camp expenses
- Sick employee (that is, care for a dependent while the sick employee stays at home)
- Volunteer work-expenses incurred to enable employee to volunteer